

Financial Management Service

Program Summary by Budget Activity

(Dollars in thousands)

Appropriation	FY 2007	FY 2008	FY 2009		
	Enacted	Enacted	President's Budget	Increase/Decrease	Percent Change
Salaries and Expenses	\$235,381	\$234,423	\$239,344	\$4,921	2.1%
Payments	148,408	145,977	147,445	1,468	1.0%
Collections	17,434	19,804	21,481	1,677	8.5%
Debt Collection	5,029	0	0	0	0.0%
Government-wide Accounting and Reporting	64,510	68,642	70,418	1,776	2.6%
Subtotal, Financial Management Service	\$235,381	\$234,423	\$239,344	\$4,921	2.1%
Offsetting Collections - Reimbursables	196,282	215,179	228,010	12,831	6.0%
Total Program Operating Level	\$431,663	\$449,602	\$467,354	\$17,752	3.9%

Explanation of Request

The Financial Management Service (FMS) FY 2009 President's Budget request includes the Financial Information Reporting Standardization (FIRST) initiative to enhance and improve operations. The FIRST initiative will improve the accuracy and integrity of budgetary and proprietary accounting information both at the agencies and in the central accounting systems. It will also integrate budgetary accounting and government-wide accounting with the proprietary information in the Financial Report (FR) which will improve the quality and accuracy of the FR.

Total resources required to support FMS activities for FY 2009 are \$467,354,000 including \$239,344,000 from direct appropriations and \$228,010,000 from offsetting collections and reimbursable agreements.

Purpose of Program

FMS plays a key role in supporting the Department of the Treasury's strategic goal of managing the United

States Government's finances effectively by operating as the financial manager and principal fiscal agent for the federal government. This role includes managing the nation's finances by collecting money due to the United States, making its payments and performing central accounting functions.

As the government's financial manager, FMS oversees a daily cash flow of nearly \$60 billion, disbursing 85 percent of the federal government's payments, including income tax refunds, Social Security benefits, veterans' benefits and other federal payments to individuals and businesses. FMS also administers the world's largest collection system, collecting between \$2.5 and \$3.0 trillion annually. It also provides cash management guidance to Federal Program Agencies (FPAs) and compiles and publishes government-wide financial information used to monitor the government's financial status. Finally, it serves as the government's central debt collection agency for delinquent non-tax debt.

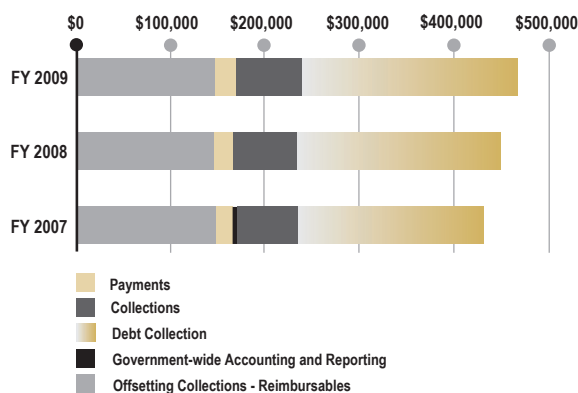
FMS FY 2009 Budget Highlights

(Dollars in thousands)

Appropriation	Amount
FY 2008 Enacted	\$234,423
Changes to base:	
Base Realignment:	\$0
Maintaining Current Levels (MCLs):	\$4,921
Non-Pay Inflation Adjustment	553
Pay Annualization	1,080
Pay Inflation Adjustment	3,288
Subtotal FY 2009 Changes to Base	\$4,921
Total FY 2009 Base	\$239,344
Program Changes:	
Program Decreases:	(\$958)
Govt-Wide Acctg & Reprtng Modernization Program	(326)
Payments Operations	(172)
Accounting Architecture	(460)
Program Reinvestment:	\$958
Financial Info Reprtng Standardization (FIRST)	958
Subtotal FY 2009 Program Changes	\$0
Total FY 2009 President's Budget Request	\$239,344

FMS Funding History

(Dollars in Thousands)



FY 2009 Budget Adjustments

FY 2008 Enacted

The FY 2008 enacted direct appropriation for FMS is \$234,423,000.

Base Realignment

FTE Adjustment +\$0 / -192 FTE FMS identified 192 unfunded base FTE upon review of its FY 2008 proposed financial plan, which is reflected by this adjustment.

Maintaining Current Levels (MCLs)

Adjustments Necessary to Maintain Current Levels +\$4,921,000 / +0 FTE Funds are requested for: FY 2009 cost of the January 2008 pay increase of \$1,080,000; proposed January 2009 pay raise of \$3,288,000; and non-labor related items such as contracts, travel, supplies, equipment and GSA rent adjustments of \$553,000.

Program Decreases

Government-Wide Accounting & Reporting Modernization Program -\$326,000 / +0 FTE As a result of efficiencies gained through modernization and a decreased requirement for contractor support for legacy applications and the certification and accreditation process, funding can be redirected from the Government-wide Accounting (GWA) and Reporting budget activity to cover a portion of the FIRST initiative.

Payments Operations -\$172,000 / +0 FTE As a result of improvements in the payments activity (e.g. presort equipment), FMS can redirect this funding to the FIRST initiative.

Accounting Architecture -\$460,000 / +0 FTE Funding has been identified in Government-wide Accounting and Reporting from prior years Accounting Architecture initiative. These funds will be redirected to the FIRST initiative.

Program Reinvestment

Financial Information Reporting Standardization (FIRST) +\$958,000 / +0 FTE FIRST integrates budgetary and proprietary financial data from Federal Program Agencies (FPAs) and will improve the accuracy, consistency and timeliness of agency reporting by validating the agency data and balances against authoritative balances in FMS' central

accounting system. Government-wide savings are conservatively estimated at \$31 million annually. FMS is requesting an increase of \$958,000 to the current base of \$2,393,000 for FY 2009. This initiative will be fully funded by redirects from savings generated from the GWA program, Payments Operations and Accounting Architecture.

Explanation of Budget Activities

Salaries and Expenses

Payments (\$147,445,000 from direct appropriations and \$138,584,000 from reimbursable programs)

The Payments activity issues and distributes payments, develops and implements federal payment policy and procedures, promotes the use of electronics in the payment process, and assists agencies in converting payments from paper checks to Electronic Funds Transfer (EFT). This activity also includes controlling and providing financial integrity to the payments process through reconciliation, accounting and claims activities. The claims activity settles claims against the United States resulting from federal government checks which have been forged, lost, stolen or destroyed, and collects monies from those parties liable for fraudulent or otherwise improper negotiation of government checks. It also includes processing claims and reclamations for EFT payments.

Collections (\$21,481,000 from direct appropriations) The Collections activity collects revenues needed to operate the federal government through the management of the federal government's collections infrastructure. FMS collected a record of \$3.1 trillion in FY 2007 through a network of more than 9,000 financial institutions; 79 percent of these collections were collected electronically. It also manages the collection of federal revenues such as individual and corporate income tax deposits, customs duties, loan repayments, fines and proceeds from leases. FMS establishes and implements collection policies, regulations, standards and procedures for the federal government.

Debt Collection (\$86,247,000 from reimbursable programs) The Debt Collection activity collects delinquent government and child support debt by providing centralized debt collection, oversight and operational services to FPAs and states as required by

the Debt Collection Improvement Act of 1996 and related legislation. The services include, but are not limited to, collecting delinquent debts through Cross-Servicing and offsetting federal payments, providing a database for use as a tool for barring delinquent debtors, providing post-judgment collection, advising and educating agencies towards improving debt management, and referrals to the Department of Justice.

Government wide Accounting and Reporting (\$70,418,000 from direct appropriations and \$3,179,000 from reimbursable programs) The Government-wide Accounting and Reporting activity maintains the federal government's books and accounts for its monetary assets and liabilities by operating and overseeing the government's central accounting and reporting system. It also works with federal agencies to adopt uniform accounting and reporting standards and systems and provides support, guidance and training to assist FPAs in improving their government-wide accounting and reporting responsibilities. FMS gathers and publishes government-wide financial information which is used in establishing fiscal and debt management policies and is also used by the public and private sectors to monitor the government's financial status.

Legislative Proposals

Eliminate the 10-year Limitations Period on Offset (31 U.S.C. 3716)

Consistent with the Supreme Court's decision to allow the Department of Education to offset social security benefits to collect student loans over 10 years old, this proposal would eliminate the 10-year limitation on the collection of delinquent non-tax federal debts by administrative offset. This would ensure that delinquent debts can be collected by offset without regard to any statutory, regulatory or administrative limitation on the period within which debts may be collected. The proposed change would allow for the collection by offset of other federal debts consistent with the current law for student loans.

Payment Transaction Integrity - Allows the federal government to trace and recover federal payments sent electronically to the wrong account.

The proposal, which amends 12 U.S.C. 3413, revises an existing exception to the Right to Financial Privacy Act so that improper electronic payments and improperly negotiated Treasury checks can be traced and recovered. Revising the exception will also permit the federal government to verify the identities of persons making payments to or receiving payments from the government.

FMS Performance by Budget Activity

Budget Activity	Performance Measure	FY 2005	FY 2006	FY 2007		FY 2008	FY 2009
		Actual	Actual	Actual	Target Met?	Target	Target
Payments	Percentage of Treasury payments and associated information made electronically (%) (Oe)	76	77	78	✓	79	80
Collections	Percentage collected electronically of total dollar amount of Federal government receipts (%) (Oe)	79	79	79	✗	79	80
Debt Collection	Amount of delinquent debt collected through all available tools (Billions \$) (Ot)	3.25	3.34	3.76	✓	3.4	3.5
Government wide Accounting and Reporting	Percentage of Governmentwide accounting reports issued accurately (%) (Oe)	100	100	100	✓	100	100
Government wide Accounting and Reporting	Percentage of Governmentwide accounting reports issued timely (%) (E)	100	100	100	✓	100	100

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

Payments: FMS disburses 85 percent of the federal government's payments to a wide variety of recipients, such as those who receive Social Security Administration payments, Internal Revenue Service tax refunds, and the Department of Veterans Affairs benefits. In FY 2007 FMS issued over 981 million non-Defense payments, with a dollar value of approximately \$1.6 trillion. Seventy-eight percent of these transactions were issued by Electronic Funds Transfer. FMS continues to expand and market the use of electronic media to deliver federal payments, improve service to payment recipients, and reduce government program costs.

Collections: In FY 2007, FMS collected a record \$3.1 trillion through a network of more than 9,000 financial institutions. The majority of the dollar amounts of FMS collections were made electronically – 79 percent of the \$3.1 trillion collected in FY 2007. However, approximately half of the transactions, 51.6 percent in FY 2007, are paper checks. In FY 2007, taxpayers paid more than \$2.0 trillion using the Electronic Federal Tax Payment System, up 8.3 percent from FY 2006, and the number of payments to the government rose 8 percent, to 90 million. FMS stepped up its efforts, in FY 2007, to work with federal agencies to promote the use of electronics in the collections process and assists agencies in converting collections from paper to electronic media.

Debt Collection: In FY 2007, FMS has collected a record \$3.76 billion in delinquent debt, which exceeded the FY 2007 target of \$3.2 billion. This includes \$1.7 billion in past due child support, \$1.47 billion in federal non-tax debt, and over \$586 million in federal tax levies and state tax debt offsets. Debt referrals from creditor agencies were at 100 percent of eligible debt at the end of FY 2007. As a result of the continued improvements to the program, collections have steadily increased to more than \$31.7 billion since the enactment of the Debt Collection Improvement Act of 1996. In calendar year 2007, the Internal Revenue Service referred an additional \$32.2 billion of tax debts for continuous levy, a 14 percent increase from calendar year 2006 for the same period.

Government-wide Accounting and Reporting: FMS issues 100 percent of its government-wide accounting reports accurately and timely. For the fourth consecutive year, FMS released the *Financial Report of the United States Government* (FR) 75 days after the fiscal year-end. In FY 2006, Government Accountability Office (GAO) acknowledged and noted improvements with regard to consistency with agency information in the Balance Sheet, the Statement of Net Cost and Statement of Social Insurance and in the note disclosures that are directly linked to the amounts on these principal financial statements. During the FY 2006 audit, FMS' efforts resulted in the removal of approximately 74 of 143 GAO recommendations.